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October 17, 2007

Eric A. Cioppa, Acting Superintendent
c/o Vanessa Leon
Docket No. INS-07-1000
Maine Bureau of Insurance
34 State House Station
Gardiner, Maine 04333-0034

RE: ANTHEM BCBS 2008 HEALTHCHOICE INDIVIDUAL RATE FILING

I. FILING COVERSHEET

Dear Superintendent Cioppa:

Enclosed for filing please find the following:

SUBMITTED BY: Christopher T. Roach
DATE: October 17, 2007
DOCUMENT TITLE: Prefiled Testimony of George Siriotis
DOCUMENT TYPE: Prefiled Testimony
CONFIDENTIAL: **No**

Thank you for your assistance in this matter.

Very truly yours,

/s/ Christopher T. Roach

cc: Thomas C. Sturtevant, Esquire
Christina M. Moylan, Esquire
Judith M. Shaw, Deputy Superintendent
James Bowie, Esquire

NON-CONFIDENTIAL

STATE OF MAINE
DEPARTMENT OF PROFESSIONAL AND FINANCIAL REGULATION
BUREAU OF INSURANCE

IN RE:)	EXHIBIT 1
)	
ANTHEM BLUE CROSS AND BLUE)	
SHIELD 2008 INDIVIDUAL RATE)	
FILING FOR HEALTHCHOICE,)	PREFILED TESTIMONY OF
HEALTHCHOICE STANDARD)	GEORGE SIRIOTIS
AND BASIC)	
)	
)	
DOCKET NO. INS-07-1000)	
)	
)	
)	October 17, 2007

NON-CONFIDENTIAL

1 **Q. Please state your name, your position with Anthem Health Plans of Maine,**
2 **Inc. d/b/a Anthem Blue Cross and Blue Shield (“Anthem BCBS”), and how you**
3 **came to hold that position.**

4 A. My name is George Siriotis and I am the Regional Vice President of Sales for the
5 Individual Markets Division of Anthem Blue Cross and Blue Shield’s East Region.
6 During my 16 years with Anthem BCBS, I have held a number of sales management
7 roles in the northeast region. During my tenure with the company, I have gained detailed
8 knowledge about Anthem BCBS, its operating philosophy, financial strength and
9 commitment to serving the health care needs of its members in the Blue Cross Blue
10 Shield tradition. I am committed to those same philosophies and goals in my present
11 position with Anthem BCBS.

12
13 **Q. What is the scope of your testimony?**

14 A. My testimony will provide an overview of the Individual market in Maine, the
15 financial status of the HealthChoice line of business in Maine, and the fairness of the
16 requested rate increase generally.

17
18 **Q. Please describe the Maine Individual market, including Anthem BCBS’s**
19 **position relative to that market and an overview of who purchases these products**
20 **now.**

21 A. Approximately 41,000 individuals are covered by individual insurance in the state
22 of Maine. Anthem BCBS has a long standing history of serving the health benefit needs
23 of Maine’s individual market. At the present time, Anthem BCBS is the leading
24 insurance carrier that is actively marketing individual products in the state of Maine. The
25 HealthChoice product has been marketed in the state of Maine since 1991. We have seen
26 a steady decrease in membership in the Healthchoice product over the past several years,
27 from a high of approximately 35,000 members in 2004 to 22,675 as of September, 2007.

28 All Anthem BCBS individual products are offered on a guaranteed issue basis.
29 No medical underwriting is done during the enrollment process. Anthem BCBS
30 determines which new members will have pre-existing condition (PEC) restrictions
31 applied to their coverage. If and when these members incur claims during the applicable

1 period, the medical underwriting process is used to administer the PEC limitations,
2 according to state statutes.

3 In comparison to other states, the cost for an individual policy in the state of
4 Maine is significantly more expensive. This is driven by many factors, including the cost
5 of care in the state of Maine, the age of the membership combined with the regulatory
6 requirements of guaranteed issue and community rating. The result of the high premium
7 costs is reflected in the deductible options that are purchased by our members. The
8 \$15,000 deductible option is the second most popular HealthChoice option in terms of
9 new enrollment in 2007, and is purchased by members to get to the lowest premium rate
10 possible. The regulatory environment in many other states is different than in Maine and,
11 as a result, insurance premiums are far more affordable. In fact, in most other Anthem
12 states, a \$15,000 deductible plan is not even offered as an individual product option.
13 Lower deductible options in those states can provide pricing that is manageable to
14 consumers in those markets.

15 Anthem BCBS has demonstrated its commitment to the individual market in
16 Maine and consistently provides quality products, despite the significant challenges in
17 this marketplace. As an example, in January 2007, Anthem introduced our newly
18 developed Lumenos health plans to the Maine market. However, due to our inability to
19 price these products to make them as attractive in Maine as they are in other states,
20 enrollment relative to other states has been slow.

21
22 We continue our ongoing efforts to help our members get and stay healthy,
23 including several innovative programs. These programs, all of which are available to
24 eligible members at no additional cost, continue to see increased population and
25 participation:

- 26
27 • ANTHEM REWARDS – Anthem RewardsSM is part of Anthem BCBS's
28 commitment to improving the health of the people we serve. Our goal is to help
29 motivate members to stay active – and stay healthy. Anthem Rewards is a web-
30 based tool that allows members to track their activity and earn rewards for

1 reaching certain milestones. Members keep track of their daily activities to earn
2 points and accumulated points can be redeemed for valuable merchandise.

3

4 • MYHEALTH@ANTHEM.COM – as part of Anthem BCBS’s effort to help our
5 members achieve a healthy lifestyle, we also provide the MyHealth@Anthem
6 Web site. MyHealth@Anthem features thousands of health and wellness articles,
7 newsletters, tools and databases for members to use in answering health-related
8 decisions.

9

10 • SpecialOffers@Anthem offers some of the deepest discounts on health and
11 wellness products and services, and is the most dynamic and user-friendly
12 shopping site in the health care industry. SpecialOffers@Anthem was developed
13 specifically to help better the health and wellness of its members, complement
14 their existing benefits, and save them money.

15

16 **Q. Please explain why Anthem BCBS is seeking this increase.**

17 **A.** While Anthem BCBS is aware of the impact of any premium increase on its
18 members, the short answer is that the increase is necessary due to the rising cost of
19 healthcare. Health care costs nationally and in Maine continue to increase. Driven by a
20 multiplicity of factors, the underlying cost of care is directly reflected in the increases in
21 health insurance premiums over the last several years. Additionally, Anthem BCBS has
22 been experiencing a decline in its HealthChoice membership over the past several years.

23

24 While recognizing how difficult it is for our customers to absorb increases in their health
25 insurance premiums, it is important for the stability of the market to have health
26 insurance premiums accurately reflect the expected benefit costs to be paid on behalf of
27 members. Failure to request, or denial of, a needed increase necessarily means that,
28 unless costs actually decrease, a larger percentage increase becomes necessary in the
29 future. Anthem BCBS strives to maintain the proper balance in its premium rates
30 envisioned under Maine law: rates must be neither excessive, nor inadequate to cover
31 costs plus a reasonable rate of return relative to the risks of providing the coverage.

1
2 **Q. Please explain what provision this filing makes for profit?**

3
4 **A.** In recognition of prior orders from the Superintendent, the filing includes a pre-
5 tax profit margin of 3%, which will yield a post-tax profit of 2% if all assumptions are
6 achieved.

7
8 **Q. Based on recent experience, has a 3% pre-tax profit target been sufficient to**
9 **cover all costs, including risk, and provide for a reasonable rate of return?**

10
11 **A. No.**

12
13 In 2005 and 2006, Anthem BCBS lost a total of \$10.6 million dollars on the
14 HealthChoice line of business. The fact remains that the Maine individual market is in
15 desperate need of reform, but until that occurs, the state of the market should be taken
16 into account when establishing appropriate rates, otherwise rates will not cover costs plus
17 provide for a reasonable rate of return.

18 Relative to markets in other states, the market in Maine for individual health products is
19 very risky. Unfortunately, the Maine population seeking individual health insurance has
20 increased health risk; the population is on average older, less healthy and there are higher
21 incidents of asthma, diabetes, heart disease, and obesity than in the rest of the country.
22 Additionally, due to the guaranteed issue and guaranteed renewable requirements,
23 individuals have the ability to buy in and drop out of the pool at will, which increases the
24 insurance risk of this product line. Also, the membership in our HealthChoice Plan is
25 shrinking, and the average age of our membership is rising, introducing greater risk for
26 Anthem BCBS in this line of business. This poor health and declining membership is
27 reflected in the fact that large claims, as a percentage of total claims, continues to grow,
28 demonstrating that, consistent with Anthem BCBS's previous expectations and
29 testimony, large claim experience in 2005 was not an anomaly, but instead is reflective of
30 the remaining HealthChoice population.

1 **Q. What do the Anthem BCBS sales associates and appointed producers do to**
2 **market the individual products?**

3
4 A. The individual products are marketed directly to Maine consumers in an efficient
5 process of lead generation and in-house telemarketing and use of over 230 appointed
6 producers statewide. The HealthChoice Plan is sold by appointed producers throughout
7 Maine who receive sales commissions on all products sold. Commissions are the same
8 for each individual HealthChoice product option.

9
10 **Q. How will this premium increase affect your efforts to sell the HealthChoice**
11 **product?**

12
13 Any increase in premium affects members, and correspondingly, sales.
14 We anticipate that some members will elect to alter their coverage to control the potential
15 increase in their monthly premium costs. The availability of a range of options provide a
16 range of choices from which our members can choose. Our sales associates and customer
17 service staff along with our appointed producers are available to assist members in
18 identifying what the best choices are for their specific needs.

19
20 **Q. Is the proposed rate increase fair?**

21 A. Yes. We have been diligent in reducing to the extent possible the amount of
22 necessary increases and have requested premium adjustments that are fair, particularly in
23 light of the ever-increasing cost of health care. We are particularly pleased that Anthem
24 BCBS's cost containment measures have continued to have a positive impact on the
25 administrative costs associated with the HealthChoice line, resulting in a steady decline
26 in those costs as a percentage of total premium. This year those efficiencies have resulted
27 in an actual decline in the per member per month charge, notwithstanding the declining
28 membership. As noted in the Prefiled Testimony of William Whitmore, we are also
29 taking the step of assuming there will be no increase in administrative expenses pmpm
30 for 2008. This assumption ultimately may not be realized, but we believe the assumption
31 for 2008 is reasonable and certainly in keeping with our goal of reducing to the extent

1 possible the level of premium increase necessary to cover costs plus allow for a
2 reasonable rate of return.
3 Consistent with prior Bureau practice, our goal is to request increases when necessary to
4 keep pace with costs and avoid large fluctuations from year to year. This filing meets
5 that objective and produces rates that are not excessive, inadequate or unfairly
6 discriminatory.

7

8 **Q. Does this conclude your testimony?**

9 A. Yes

CERTIFICATE OF SERVICE

The undersigned hereby certifies that on October 17, 2007, a copy of the Non-Confidential Version of Prefiled Testimony of George Siriotis was served on each of the persons listed below and in the manner indicated.

Thomas Sturtevant, Esq. (via electronic and U.S. mail)
State of Maine
Department of the Attorney General
6 State House Station
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(Office of the Attorney General)

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DATED October 17, 2007

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